

**TOWN OF BELMONT, MISSISSIPPI**

**AUDITED  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2016**



**Certified Public Accountants**

**TOWN OF BELMONT, MISSISSIPPI  
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SEPTEMBER 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Board of Aldermen  
Town of Belmont, Mississippi

We have audited the accompanying Statement of Cash Receipts and Disbursements, Governmental and Business-Type Activities of the Town of Belmont, Mississippi, for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing opinions on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash balances of each fund of the Town of Belmont, Mississippi, as of September 30, 2016 and the respective cash receipts and disbursements for the year then ended in accordance with the basis of accounting described in Note 1.

Florence, Alabama  
Phone: (256)764-0991

Red Bay, Alabama  
Phone: (256)356-9375

Muscle Shoals, Alabama  
Phone: (256)314-5082

Booneville, Mississippi  
Phone: (662)728-6172

Corinth, Mississippi  
Phone: (662)286-7082

Iuka, Mississippi  
Phone: (662)423-5057

## **Basis of Accounting**

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Information**

Our audit was conducted for the purpose of forming opinions on the Statement of Cash Receipts and Disbursements of the Town of Belmont, Mississippi taken as a whole. Supplementary information is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017, on our consideration of the Town of Belmont, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Belmont, Mississippi's internal control over financial reporting and compliance.

This report is intended for the information of the Town's management and the Mississippi Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Iuka, Mississippi  
September 29, 2017

**BASIC FINANCIAL STATEMENTS**

Town of Belmont, Mississippi  
Statement of Cash Receipts and Disbursements  
Governmental and Business-Type Activities  
For the Year Ended September 30, 2016

	Governmental Activities		Business-Type Activities				
	General	Total	Gas	Water	Garbage	Sewer	Total
Receipts							
General Property Taxes	\$ 401,765	\$ 401,765	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties and interest on delinquent taxes	2,475	2,475	-	-	-	-	-
Licenses and Permits							
Privilege licenses	15,798	15,798	-	-	-	-	-
Franchise charges - utilities	38,521	38,521	-	-	-	-	-
Intergovernmental Revenues:							
Federal Revenues:							
Federal Payments in Lieu of Taxes	13,545	13,545	-	-	-	-	-
Federal Grants	-	-	-	-	-	-	-
State Shared Revenues:							
State Grants	261,855	261,855	-	-	-	-	-
Homestead Exemption Reimbursement	22,300	22,300	-	-	-	-	-
General Sales Tax	318,054	318,054	-	-	-	-	-
Fire Protection Allocation	12,962	12,962	-	-	-	-	-
Gasoline Tax	6,189	6,189	-	-	-	-	-
Municipal Aid	1,008	1,008	-	-	-	-	-
Grants from Local Units:							
School District Interlocal Agreement	8,000	8,000	-	-	-	-	-
Pro-Rata County Road Tax	72,163	72,163	-	-	-	-	-
Charges for Services:							
Gas	-	-	1,034,925	-	-	-	1,034,925
Water	-	-	-	331,141	-	-	331,141
Garbage	-	-	-	-	116,432	-	116,432
Sewer	-	-	-	-	-	276,448	276,448
Fines and Forfeitures	79,700	79,700	-	-	-	-	-
Rents and Royalties	48,722	48,722	-	-	-	-	-
Sale of Cemetery Lots	1,300	1,300	-	-	-	-	-
Insurance Proceeds	5,500	5,500	-	-	-	-	-
Miscellaneous	2,974	2,974	-	-	-	-	-
<b>Total Receipts</b>	<b>\$ 1,312,831</b>	<b>\$ 1,312,831</b>	<b>\$ 1,034,925</b>	<b>\$ 331,141</b>	<b>\$ 116,432</b>	<b>\$ 276,448</b>	<b>\$ 1,758,946</b>

The accompanying notes are an integral part of these financial statements.

Town of Belmont, Mississippi  
Statement of Cash Receipts and Disbursements  
Governmental and Business-type Activities  
For the Year Ended September 30, 2016

	Governmental Activities		Business-Type Activities				Total
	General	Total	Gas	Water	Garbage	Sewer	
<b>Disbursements</b>							
General Government	\$ 222,914	\$ 222,914	\$ -	\$ -	\$ -	\$ -	\$ -
Public Safety							
Police	570,989	570,989	-	-	-	-	-
Fire	63,038	63,038	-	-	-	-	-
Public Works	82,939	82,939	-	-	-	-	-
Culture and Recreation	116,748	116,748	-	-	-	-	-
Economic Development	261,855	261,855	-	-	-	-	-
Enterprise:							
Gas	-	-	808,518	-	-	-	808,518
Water	-	-	-	305,574	-	-	305,574
Garbage	-	-	-	-	102,446	-	102,446
Sewer	-	-	-	-	-	106,776	106,776
Interest Expense	1,529	1,529	556	556	-	65,632	66,744
<b>Total Disbursements</b>	<b>\$ 1,320,012</b>	<b>\$ 1,320,012</b>	<b>\$ 809,074</b>	<b>\$ 306,130</b>	<b>\$ 102,446</b>	<b>\$ 172,408</b>	<b>\$ 1,390,058</b>
<b>Excess (Deficiency) of receipts over disbursements</b>	<b>(7,181)</b>	<b>(7,181)</b>	<b>225,851</b>	<b>25,011</b>	<b>13,986</b>	<b>104,040</b>	<b>368,888</b>
<b>Other Sources (Uses)</b>							
Redemption of Principal	\$ (14,797)	\$ (14,797)	\$ (8,210)	\$ (8,210)	\$ -	\$ (89,481)	\$ (105,901)
Capital Outlay	(50,702)	(50,702)	(50,786)	(17,234)	-	(3,000)	(71,020)
Loan Proceeds	-	-	-	-	-	-	-
Interest Income	1,184	1,184	-	-	-	-	-
Operating Transfers In	412,400	412,400	-	27,500	-	77,643	105,143
Operating Transfers Out	(89,892)	(89,892)	(280,000)	(31,651)	(101,000)	(15,000)	(427,651)
<b>Total Other Sources (Uses)</b>	<b>\$ 258,193</b>	<b>\$ 258,193</b>	<b>\$ (338,996)</b>	<b>\$ (29,595)</b>	<b>\$ (101,000)</b>	<b>\$ (29,838)</b>	<b>\$ (499,429)</b>
<b>Excess (Deficiency) of receipts and other financing sources over disbursements and other financing uses</b>	<b>251,012</b>	<b>251,012</b>	<b>(113,145)</b>	<b>(4,584)</b>	<b>(87,014)</b>	<b>74,202</b>	<b>(130,541)</b>
Cash Balances - Beginning of Year	(225,912)	(225,912)	179,827	181,254	197,635	-	558,716
<b>Cash Balances - End of Year</b>	<b>\$ 25,100</b>	<b>\$ 25,100</b>	<b>\$ 66,682</b>	<b>\$ 176,670</b>	<b>\$ 110,621</b>	<b>\$ 74,202</b>	<b>\$ 428,175</b>

The accompanying notes are an integral part of these financial statements.

**TOWN OF BELMONT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

**Note 1 - Summary of Significant Accounting Policies**

**General Information**

The Town operates under the mayor/board of aldermen form of government and provides services as authorized by law.

**Reporting Entity**

The Town is a small municipality located in Northeast Mississippi with a population of approximately 2,021. For financial reporting purposes, the reporting entity includes all funds of the Town that are covered by the oversight responsibility of the Mayor and Board of Aldermen.

**Measurement Focus and Basis of Accounting**

The financial statements are prepared on a cash receipts and disbursements basis, as prescribed by the Mississippi Office of the State Auditor. Consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when paid rather than when the obligation is incurred. This basis of accounting differs from generally accepted accounting principles. Under this basis of accounting, the Town has elected to omit substantially all government-wide financial statements, fund financial statements, management's discussion and analysis, required supplementary information, and other supplementary information required under generally accepted accounting principles.

**Government-Wide Financial Statements**

The statement of cash receipts and disbursements displays information on all non-fiduciary activities of the primary government. The statement distinguishes between those activities of the Town that are governmental, which are normally supported by taxes and intergovernmental revenues, and those that are considered business-type activities, which rely to a significant extent on user fees. Major revenue sources include sales taxes, property taxes, and motor vehicle taxes. Principal operating receipts for proprietary funds are receipts from customers for sales or services. Principal operating expenditures are the costs of providing goods and services and include administrative expenditures, capital outlays for property and equipment, and debt service payments on long-term debt.

**Financial Statement Presentation**

The Town reports the following major funds:

Governmental Activities

*General Fund* – The General Fund is the general operating fund of the Town. It is used to account for all financial resources of the primary government except those required to be accounted for in another fund. This is a major fund.

Business-Type Activities

*Gas Fund* – This fund is used to account for the Town's natural gas distribution system.

*Water Fund* – This fund is used to account for the Town's water distribution system.

*Garbage Fund* – This fund is used to account for the Town's garbage collection services.

*Sewer Fund* – This fund is used to account for the Town's sewer treatment system.

**TOWN OF BELMONT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Budgets and Budgetary Accounting**

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to September 1, the Town Clerk submits to the Mayor and Board of Aldermen a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them for the General and Proprietary funds.
2. Public notice is given of the Town's budget meetings being open to the public, so that a public hearing is conducted on the budget.
3. The budget as submitted is reviewed by the Mayor and Board of Aldermen and necessary revisions are made. Then, the budget is approved prior to September 15.
4. The budget is formally revised during July of each year or anytime a deficit is indicated.
5. Budgetary comparisons are employed by management as a management control device during the year for both the General and Proprietary Funds.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts after appropriate revisions during the year.

Expenditures may not legally exceed budgeted appropriations at the activity level except for capital outlays, election expenses and emergency expenditures.

**Property Taxes**

Property taxes, except motor vehicles, attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are due and payable at that time. All unpaid taxes levied October 1 become delinquent February 1 of the following year. Property taxes are recognized as revenues when they are received. The Town bills and collects its own property taxes, except motor vehicle taxes. Motor vehicle taxes are collected by the County Tax Collector and remitted to the Town.

**Inter-fund Transactions**

Inter-fund transactions have not been eliminated from these financial statements.

**Note 2 - Cash and Investments**

The Town follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The Town must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the Town's deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by the Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits.

**TOWN OF BELMONT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

#### Cash and Cash Equivalents

The carrying amount of the Town's deposits with financial institutions reported in the governmental funds and proprietary funds was \$25,100 and \$428,175, respectively.

*Custodial Credit Risk – Deposits.* Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the Town will not be able to recover deposits or collateral securities that are in the possession of an outside party. The Town does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the Town. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the Town. As of September 30, 2016, none of the Town's bank balance of \$503,669 was exposed to custodial credit risk.

#### Investments

The Town can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the Town are reported at fair market value. The Town has no investments at September 30, 2016.

### **Note 3 - Defined Benefit Pension Plan**

#### **General Information about the Pension Plan**

*Plan Description.* The Town contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employee' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

*Benefits Provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who become Members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of

**TOWN OF BELMONT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service ( four years of membership service for those who became members of PERS before July 1, 2007), PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

*Contributions.* PERS members are required to contribute 9.00% of their annual covered salary, and the Town is required to contribute at an actuarially determined rate. The employer's rate as of September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employees are established and may be amended only by the State of Mississippi Legislature. The Town's contributions to PERS for the fiscal years ending September 30, 2016, 2015 and 2014 were \$120,188, \$107,571 and \$103,790, respectively, which equaled the required contributions for each year.

**Note 4 - Inter-fund Transfers**

The following is a summary of inter-fund transfers for the year ended September 30, 2016:

<b>Inter-fund Transfers</b>		
<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Gas Fund	\$ 280,000
General Fund	Garbage Fund	101,000
General Fund	Water Fund	31,400
Water Fund	General Fund	12,500
Water Fund	Sewer Fund	15,000
Sewer Fund	General Fund	77,392
Sewer Fund	Water Fund	251
		<u>\$ 517,543</u>

The primary purpose of inter-fund transfers was to provide for daily operations. All transfers were routine and consistent with the activities of the fund making the transfer.

**Note 5 - Contingencies**

Federal Grants – The Town has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the Town.

Litigation - The Town is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome of liability, if any, of the Town with respect to the various proceedings. However, the Town's legal counsel believes that ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the Town.

**Note 6 - Risk Management**

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

**TOWN OF BELMONT, MISSISSIPPI  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

Except as described below, the Town carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**Participation in Public Entity Risk Pool**

The Town is a member of the Mississippi Municipal Workers' Compensation Group (MMWCG) and the Mississippi Municipal Liability Plan (MMLP), both of which are administered by Municipal Services, Inc. Both groups are risk-sharing pools; such a pool is frequently referred to as a self-insurance pool.

MMWCG covers risk of loss arising from injuries to the Town's employees. The Mississippi Workers' Compensation Commission requires that an indemnity agreement be executed by each member in a workers' compensation self-insurance pool for the purpose of jointly and severally binding the pool and each of the employers comprising the group to meet the workers' compensation obligations of each member. Each member of the MMWCG contributes quarterly to a fund held in trust. The funds in the trust account are used to pay any employee claim. If total claims during a year were to deplete the trust account, then the pool members would be required to pay for the deficiencies. The Town has not had an additional assessment for excess losses incurred by the pool.

MMLP covers the risk of loss related to torts and other liability claims. The general policy limit is \$500,000 per occurrence, but the policy also tracks the Mississippi tort claims law for municipalities which limits the Town's liability to \$250,000 per occurrence. The policy also covers up to \$1,000,000 in federal claims. As with the MMWCG, pool members would be required to pay for the deficiency should total claims for the year exceed member contributions. The Town has received no assessments for excess losses incurred by the pool.

**Note 7 - Expenditures over Appropriations for Individual Funds**

Expenditures over appropriations at the legal level of budgetary control are as follows:

General Fund:	<u>Budget</u>	<u>Actual</u>	<u>Overage</u>
Financial and Admin			
Personnel Services	\$154,600	\$159,424	\$4,824
Fire			
Supplies	\$ 18,250	\$ 19,273	\$1,023
Street			
Other Services	\$ 50,500	\$ 58,873	\$8,373

**Note 8 - Subsequent Events**

Events that occur after year-end but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at year-end are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after year-end require disclosure in the accompanying notes. Management of the Town evaluated the activity of the Town for potential recognition and disclosure through September 29, 2017 (the date the financial statements were available to be issued), and determined that the following subsequent events have occurred requiring disclosure in the notes to the financial statements:

1. On May 15, 2017, the Town issued a ten-year promissory note with Cook Coggin Engineers in the amount of \$183,600 at 0% interest.

No adjustments were considered necessary to the financial statements.

**SUPPLEMENTARY INFORMATION**

Town of Belmont, Mississippi  
Schedule of Investments  
September 30, 2016

The Town had no investments at September 30, 2016.

Town of Belmont, Mississippi  
Schedule of Capital Assets  
For the Year Ended September 30, 2016

Governmental Activities

The Town did not account for capital assets in the Governmental Activities funds.

Business-type Activities

The Town did not account for capital assets in the Business-type Activities funds.

Town of Belmont, Mississippi  
Schedule of Long-Term Debt  
For the Year Ended September 30, 2016

DEFINITION AND PURPOSE	Balance		Transactions During Fiscal Year		Balance
	Outstanding October 1, 2015		Issued	Redeemed	Outstanding September 30, 2016
<b>Governmental Activities</b>					
Cook Coggin Loan	\$ 1,638	\$ -	\$ -	\$ 1,638	\$ -
Cook Coggin Loan	-	10,290	-	5,000	5,290
CAP Loan	61,099	-	-	8,159	52,940
<b>Total</b>	<b>\$ 62,737</b>	<b>\$ 10,290</b>	<b>\$ -</b>	<b>\$ 14,797</b>	<b>\$ 58,230</b>
<b>Business-type Activities</b>					
MDEQ Loan	820,650	-	-	57,532	763,118
NEMPDD Loan	30,717	-	-	2,358	28,359
FANB Capital Lease	36,024	-	-	16,420	19,604
RD Loan # 92-01	733,040	-	-	24,760	708,280
RD Loan # 92-05	274,369	-	-	4,831	269,538
<b>Total</b>	<b>\$ 1,894,800</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 105,901</b>	<b>\$ 1,788,899</b>

Town of Belmont, Mississippi  
 Schedule of Surety Bonds for Town Officials  
 September 30, 2016

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Buddy Wiltshire	Mayor	\$ 50,000
Lynn Maroon	Town Clerk	\$ 50,000
Jeanee Pearson	Assistant Town Clerk	\$ 50,000
Debbie Bonds	Court Clerk	\$ 50,000
Donald Reno	Police Chief	\$ 50,000
Brandon Pharr	Alderman	\$ 50,000
Mike Harris	Alderman	\$ 50,000
Sonya Harris	Alderwoman	\$ 50,000
Steve Ratliff	Alderman	\$ 50,000
Craig Bell	Alderman	\$ 50,000
Donald Thomas	Police Officer	\$ 25,000
Scotty Hughes	Police Officer	\$ 25,000
Monica Bronson	Police Officer	\$ 25,000
James Guthery	Police Officer	\$ 25,000
Amanda Richardson	Police Officer	\$ 25,000
Randy Cornelison	Police Officer	\$ 25,000
Donavan Cain	Police Officer	\$ 25,000
Adam Kostelansky	Police Officer	\$ 25,000

**REPORTS ON INTERNAL CONTROL AND ON COMPLIANCE**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
 AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
 STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Board of Aldermen  
 Town of Belmont, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Cash Receipts and Disbursements, Governmental and Business-Type Activities of the Town of Belmont, Mississippi, for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Town of Belmont, Mississippi's basic financial statements and have issued our report thereon dated September 29, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Belmont, Mississippi's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Belmont, Mississippi's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Belmont, Mississippi's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as 2016-001, 2016-002, 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-008 and 2016-012 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses as 2016-009, 2016-010 and 2016-011 to be significant deficiencies.

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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Belmont, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-009, 2016-010 and 2016-012.

### **Town of Belmont, Mississippi's Response to Findings**

The Town of Belmont, Mississippi's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town of Belmont, Mississippi's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The Sparks CPA Firm, P.C." in a cursive script.

The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Iuka, Mississippi  
September 29, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE  
LAWS AND REGULATIONS**



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**INDEPENDENT AUDITORS' REPORT  
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**

Honorable Mayor and Board of Aldermen  
Town of Belmont, Mississippi

We have audited the Statement of Cash Receipts and Disbursements, Governmental and Business-Type Activities of the Town of Belmont, Mississippi for the year ended September 30, 2016, and have issued our report thereon dated September 29, 2017. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

As required by the state legal compliance audit program prescribed by the Mississippi Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are included in the Schedule of Findings and Responses as findings number 2016-003, 2016-004, 2016-005, 2016-006, 2016-007, 2016-009, 2016-010 and 2016-012.

The Mississippi Office of the State Auditor or a public accounting firm will review, on a subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

This report is intended for the information of the Town's management and the Mississippi Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*The Sparks CPA Firm, P.C.*

The Sparks CPA Firm, P.C.  
Certified Public Accountants  
Iuka, Mississippi  
September 29, 2017

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**SCHEDULE OF FINDINGS AND RESPONSES**

**TOWN OF BELMONT, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2016**

Section 1: Summary of Auditors' Results

Financial Statements:

- |   |            |
|---|------------|
| 1. Type of auditor's report issued on the financial statements: |            |
| Governmental Activities   | Unmodified |
| Business-Type Activities  | Unmodified |
| 2. Internal control over financial reporting:                   |            |
| a. Material weaknesses identified?                              | Yes        |
| b. Significant deficiencies identified?                         | Yes        |
| 3. Noncompliance material to the financial statements noted?    | Yes        |

Section 2: Financial Statement Findings

Finding 2016-001 is considered a material weakness.

2016-001

**Criteria**

An effective system of internal controls should include an adequate segregation of duties.

**Condition**

The Town employed only two individuals who shared responsibilities for all cash transactions and record-keeping. These two employees are also authorized check signers.

**Cause of Condition**

The small size of the administrative staff.

**Effect of Condition**

The lack of segregation of duties creates an internal control deficiency that could allow errors or omissions, which are material to the financial statements, to go undetected and unreported in a timely manner.

**Recommendation**

The management/board oversight should be increased to provide reasonable assurance that errors, irregularities or fraud are prevented or detected and corrected in a timely manner.

**Auditee Response**

The Town's management is applying as many techniques as possible to acquire maximum segregation of duties within cost benefit parameters.

**TOWN OF BELMONT, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2016**

Finding 2016-002 is considered a material weakness.

2016-002

**Criteria**

An effective system of internal controls should include monitoring all notes receivable balances due the Town and enforcing the terms of repayment in the note agreements.

**Condition**

Management did not monitor or take appropriate steps to enforce the terms of repayment for a note receivable of \$343,000 from Collier-Windham Partnership, which is in default.

**Cause of Condition**

The Town did not require Collier-Windham Partnership to provide their financial statements.

**Effect of Condition**

Because financial statements were not provided from 2005 through 2009, the total unpaid balance on this note is not known. However, the unpaid balance on this note for 2010 through 2016 is \$21,519.

**Recommendation**

Management should take appropriate steps to enforce the terms of repayment to recover the note balance due to the Town.

**Auditee Response**

Management concurs with the recommendation.

Finding 2016-003 is considered a material weakness and material noncompliance.

2016-003

**Criteria**

An effective system of internal controls over capital assets should include following the requirements related to accounting for capital assets as set forth by the Mississippi Office of the State Auditor. The Mississippi Office of the State Auditor requires all Towns to account for all capital assets by maintaining a capital assets listing. Another requirement set forth by the Mississippi Office of the State Auditor is to tag all capital assets and also to conduct an annual inventory of capital assets.

**Condition**

Management failed to maintain a capital assets listing, identify and record infrastructure assets, tag or otherwise identify other capital assets, or conduct an annual inventory of capital assets as required by the Mississippi Office of the State Auditor.

**Cause of Condition**

Inadequate policies and procedures and staff in place to correct this condition.

**Effect of Condition**

Management is unable to properly identify and report the capital assets owned by the Town. In addition, management cannot properly safeguard the capital assets owned by the Town.

**Recommendation**

Management should require that all capital assets be identified, recorded, and inventoried to ensure that the Town's assets are properly safeguarded.

**Auditee Response**

Management concurs with the recommendation.

**TOWN OF BELMONT, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2016**

Finding 2016-004 is considered a material weakness and material noncompliance.

2016-004

**Criteria**

Section 21-33-326, Mississippi Code Ann. (1972), and Section 17-21-53, Mississippi Code Ann. (1972), relate to the issuance of debt. These statutes have specific requirements that all Towns entering loans must meet. Also, board approval must be obtained and documented in the board minutes for all debt issuances in the Town.

**Condition**

During the fiscal year, the Town obtained financing for engineering services with an unsecured short-term loan of \$10,290. In addition, there was no documentation in the board minutes of the authorization to enter the indebtedness.

**Cause of Condition**

Lack of board oversight of compliance with debt issuance regulations.

**Effect of Condition**

The Town issued unauthorized debt that is not in compliance with state statutes.

**Recommendation**

The Town should liquidate this debt as soon as possible and refrain from entering into indebtedness which does not meet the requirements of the state statutes. Also, the Town should document the authorization of all future debt issuances in the board minutes.

**Auditee Response**

Management concurs with the recommendation.

Finding 2016-005 is considered a material weakness and material noncompliance.

2016-005

**Criteria**

An effective system of internal controls over compliance with state budget laws should include amending the original budget as necessary, maintaining spending limits within the confines of the approved budget and approving the budget vs. actual monthly.

**Condition**

The Town's management did not make any amendments to the original budget, did not approve the budget vs. actual monthly and did not maintain spending limits within the confines of the approved budget.

**Cause of Condition**

Lack of board oversight of compliance with state budget laws.

**Effect of Condition**

The Town's General Fund expenditures exceeded the original budget at year-end for numerous categories.

**Recommendation**

Management should maintain spending limits within the confines of the approved budget or make amendments to the original budget by year-end. Management should also approve the budget vs. actual monthly.

**Auditee Response**

Management concurs with the recommendation.

**TOWN OF BELMONT, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2016**

Finding 2016-006 is considered a material weakness and material noncompliance.

2016-006

**Criteria**

The Town is under a Mississippi PSC order for the sale of gas to customers over one mile outside the town at a rate of cost plus \$3.45.

**Condition**

The Town failed to properly price natural gas to its customers that reside outside one mile of the town limits in violation of the order of the Mississippi PSC. In addition, the Town was unable to identify the customers that were regulated by the PSC order.

**Cause of Condition**

Lack of board oversight of compliance with PSC regulations.

**Effect of Condition**

The Town did not bill customers that are over one mile outside the town at the rate established by the PSC order. There is an undetermined amount of over-billings to these customers for the fiscal year.

**Recommendation**

Management should monitor its pricing of natural gas on a monthly basis and strictly adhere to PSC regulations. Management should also identify those customers that are subject to PSC regulations.

**Auditee Response**

Management concurs with the recommendation.

Finding 2016-007 is considered a material weakness and material noncompliance.

2016-007

**Criteria**

State statutes require the Town to maintain adequate cash balances in each fund of the Town always to avoid any cash overdrafts in the funds of the Town.

**Condition**

The Town maintained cash overdrafts in the General Fund from the beginning of the fiscal year until late in the year when interfund transfers were made among funds to ensure all funds had adequate cash balances.

**Cause of Condition**

Lack of board oversight of compliance with cash requirements set forth by the state.

**Effect of Condition**

The Town used cash balances from funds other than General Fund to pay General Fund bills during the fiscal year.

**Recommendation**

Management should make timely transfers as needed to avoid cash overdrafts in any of the Town's funds.

**Auditee Response**

Management concurs with the recommendation.

**TOWN OF BELMONT, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2016**

Finding 2016-008 is considered a material weakness.

2016-008

**Criteria**

An effective system of internal controls over billing should include monitoring authorized monthly billing rate adjustments and ensuring the billing rates in the billing system match the authorized rates.

**Condition**

The Town failed to update the residential sewer rate to the board authorized rate for three months in the fiscal year.

**Cause of Condition**

Lack of board oversight of monthly billing rates.

**Effect of Condition**

The Town underbilled residential sewer customers for three straight months during the fiscal year.

**Recommendation**

Management should ensure that all authorized billing rate increases are entered into the billing system timely by implementing a thorough review of the monthly billing rates for the month the rates were authorized to be adjusted.

**Auditee Response**

Management concurs with the recommendation.

Finding 2016-009 is considered a significant deficiency and a material noncompliance.

2016-009

**Criteria**

State statutes require court fine assessments to be settled within 30 days of the month they are collected.

**Condition**

The Town did not settle court fine assessments monthly during the fiscal year. Testing revealed that four months of court fine assessments were settled on one settlement check and that there were only six court fine assessments settlement checks written to the State of Mississippi for the fiscal year's collections. Assessments were settled in total for the year; however, they were not settled timely to meet the requirements set forth by state statutes.

**Cause of Condition**

Lack of board oversight of court fine assessments.

**Effect of Condition**

The Town was not in compliance with state statutes regarding the monthly settlement of court fine assessments.

**Recommendation**

Management should ensure that monthly court fine assessments are being settled monthly to the State of Mississippi by verifying that the settlement check for court fine assessments is on the monthly claims docket that is approved each month.

**Auditee Response**

Management concurs with the recommendation.

**TOWN OF BELMONT, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2016**

Finding 2016-010 is considered a significant deficiency and a material noncompliance.

2016-010

**Criteria**

State statutes require the Town to complete the municipal compliance questionnaire and approve and attach to the board minutes at the first board meeting in October following the fiscal year.

**Condition**

The Town approved the municipal compliance questionnaire and attached in detail in the board minutes at the December 6, 2016 board meeting.

**Cause of Condition**

Lack of board oversight of compliance.

**Effect of Condition**

The Town failed to complete the municipal compliance questionnaire and attach to the board minutes in the time frame set forth by state statutes.

**Recommendation**

Management should ensure that the municipal compliance questionnaire is completed, approved and attached to the board minutes at the first board meeting in October following the fiscal year. This approval should be documented by the signature of the Town Clerk and the Mayor and the date of signatures.

**Auditee Response**

Management concurs with the recommendation.

Finding 2016-011 is considered a significant deficiency.

2016-011

**Criteria**

Debt covenants for the Town's USDA loans require the Town to maintain debt service reserve accounts in amounts specified in the signed debt agreements.

**Condition**

The Town's debt service reserve account is underfunded by \$1,512.

**Cause of Condition**

Lack of board oversight of compliance with debt covenants.

**Effect of Condition**

The Town is not in compliance with the USDA debt covenants related to reserves.

**Recommendation**

Management should approve to transfer the necessary funds into the debt service reserve account to comply with the required reserve amounts listed in the USDA debt agreements.

**Auditee Response**

Management concurs with the recommendation.

**TOWN OF BELMONT, MISSISSIPPI**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2016**

Finding 2016-012 is considered a material weakness and material noncompliance.

2016-012

**Criteria**

An effective system of internal controls should include monitoring compliance with state purchase laws that require obtaining competitive quotes for certain applicable purchases over \$5,000 but less than \$50,000. Also, all purchases should be supported by adequate documentation attached to the claims.

**Condition**

The Town did not obtain a competitive quote for one applicable purchase during the year and also made a purchase without an invoice or any supporting documentation to support the claim.

**Cause of Condition**

Lack of board oversight of compliance with state purchase laws.

**Effect of Condition**

The Town is not in compliance with the competitive quote state purchase law requirement. Also, there could be a misappropriation of assets to purchase goods or services that are not actually the Town's if all purchases are not supported by adequate documentation.

**Recommendation**

Management should ensure that competitive quotes are obtained for all applicable purchases and that all purchases are supported by adequate documentation attached to the claims.

**Auditee Response**

Management concurs with the recommendation.